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Paris, the 15th of January 2018

Mr Hans Hoogervorst
Chairman – IASB
30 Cannon Street
London EC4M 6XH
United Kingdom

ED/2017/6 Definition of Material – Proposed amendments to IAS 1 and IAS 8

Dear Mr Hoogervorst, *Dear Hans,*

I am writing on behalf of the Autorité des Normes Comptables (ANC) to express our views on the above-mentioned *ED/2017/6 Definition of Material – Proposed amendments to IAS 1 and IAS 8*. ANC has already published its comment letter in response to the October 2017 EFRAG's draft comment letter on the same issue.

ANC is pleased to widely share its views and provide the IASB with a copy of the comment letter sent to EFRAG.

Please do not hesitate to contact us should you want to discuss any aspect of our letter.

Yours sincerely,

Patrick de Cambourg

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Mr Jean-Paul GAUZES
Chairman – EFRAG Board
35 square de Meeûs
B1-000 Bruxelles
Belgium

EFRAG's Draft Comment Letter - ED/2017/6 Definition of Material – Proposed amendments to IAS 1 and IAS 8

Dear Mr Gauzès, *Cher Jean-Paul,*

I am writing on behalf of the Autorité des Normes Comptables (ANC) to express our views on the above-mentioned EFRAG's Draft Comment Letter on the ED/2017/6 Definition of Material – Proposed amendments to IAS 1 and IAS 8. This letter sets out the most critical comments raised by interested stakeholders involved in ANC's due process. Our detailed comments are set out in the Appendix.

ANC supports EFRAG's draft comment letter and suggests that IASB specifies more explicitly that materiality may be reached either individually or collectively. In addition, ANC agrees that mentioning the way to disclose non reliable information (by omission, by misstatement or obscuring the information) does not define materiality but provides elements characterizing a fair communication.

ANC also agrees it is of the utmost importance to ensure that only one definition of "material" exists in the set of IFRS standards and its conceptual framework.

Please do not hesitate to contact us should you want to discuss any aspect of our letter.

Yours sincerely, *Amikès.*

Patrick de Cambourg

Patrick de Cambourg

Appendix

Question 1

The Board proposes amendments to IAS 1 and IAS 8 to align the definition of material between IFRS Standards and the *Conceptual Framework*, and to include in the definition some of the existing requirements in IAS 1. The Board also proposes to clarify the explanation accompanying the definition using existing guidance in IAS 1 and the *Conceptual Framework*.

- (a) Do you agree that the definition of material and the accompanying explanation should be clarified as proposed in this Exposure Draft? If you do not agree, what changes do you suggest and why?
- (b) Would any wording or terminology introduced in the proposed amendments be difficult to understand or to translate?

EFRAG's additional question – Do you agree with EFRAG's suggestion that the terms "obscuring", "misstating" and "omitting" from the definition should not be included in the definition of "material" as these concepts relate to principles of fair communication? Can you identify specific areas where the proposed exclusion might create legal issues in the context of your jurisdiction?

ANC supports the Board proposal to align the definition of "material" in the different IFRS standards and Conceptual Framework. ANC considers key to have a single definition for all standards as the materiality underlying concepts remain general.

ANC agrees with EFRAG's suggestion wondering why the words "individually or collectively" have been removed from the definition in bold (it actually only appears in the paragraph presenting how to assess whether an information is material). ANC considers useful to specify in the definition that materiality has to be analysed in regards to the overall impact (meaning individually or in aggregate).

In addition, ANC supports the EFRAG's comment stating that the concept of "obscuring" should be further clarified by the IASB with a list of situations where it occurs, in order to be directly understandable on a standalone basis.

ANC is of the view that materiality definition should include an exemption in order for entities to be able to disclose non-material information if required by local laws. This comment should however be further investigated in relation with the Disclosure Initiative project – Principles of disclosures.

As regards the words used in the draft amendments, ANC wishes to highlight the following two issues:

- ANC considers that the word "financial reports" should be avoided when defining materiality in IAS 1 and IAS 8 amendments as financial reports differ from financial statements and encompass documents, such as the management report, which are outside the scope of financial statements.

ANC has for instance noted that the materiality definition in paragraph 7 (in bold) refers to "financial statements", whereas it is referred to "financial reports" in the subsequent sub-

paragraphs. ANC recommends retaining a consistent approach in the definition using one single word and referring to “financial statements”.

- In the definition of “material” in paragraph 7 it is stated that “*Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions...*”. ANC recommends replacing “could” by “would”.

Question 2

The Board issued the Materiality Practice Statement in September 2017 and expects to issue a revised Conceptual Framework in the second half of 2017. If any changes are made to IFRS Standards as a result of the proposals in this Exposure Draft, the Board will make amendments to these two documents.

The Board believes that the guidance in both the Materiality Practice Statement and the forthcoming revised Conceptual Framework will not be affected by the proposed amendments in this Exposure Draft, other than to update the definition of material (see paragraphs BC22-BC24).

Do you have any comments on the proposed amendments to the Materiality Practice Statement or to the forthcoming revised *Conceptual Framework*.

ANC supports the IASB proposed amendments to the forthcoming revised Conceptual Framework for Financial Reporting, IFRS Practice Statement Making Materiality Judgments and other standards where materiality is mentioned.

ANC agrees with the EFRAG’s comment indicating that words (notably “not material” and “immaterial”) should be consistently used and carefully elected in order to ensure there is only one definition of the concept.

Question 3

Do you have any other comments about the proposals in this Exposure Draft?

ANC supports EFRAG’s comment stating that the definition of materiality should not be repeated in several places (IAS 1, IAS 8 and Conceptual Framework for financial reporting) and should be located in IAS 1 standard.